



Water Infrastructure Funding, Issues, & Opportunities for Advocacy

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OVERVIEW

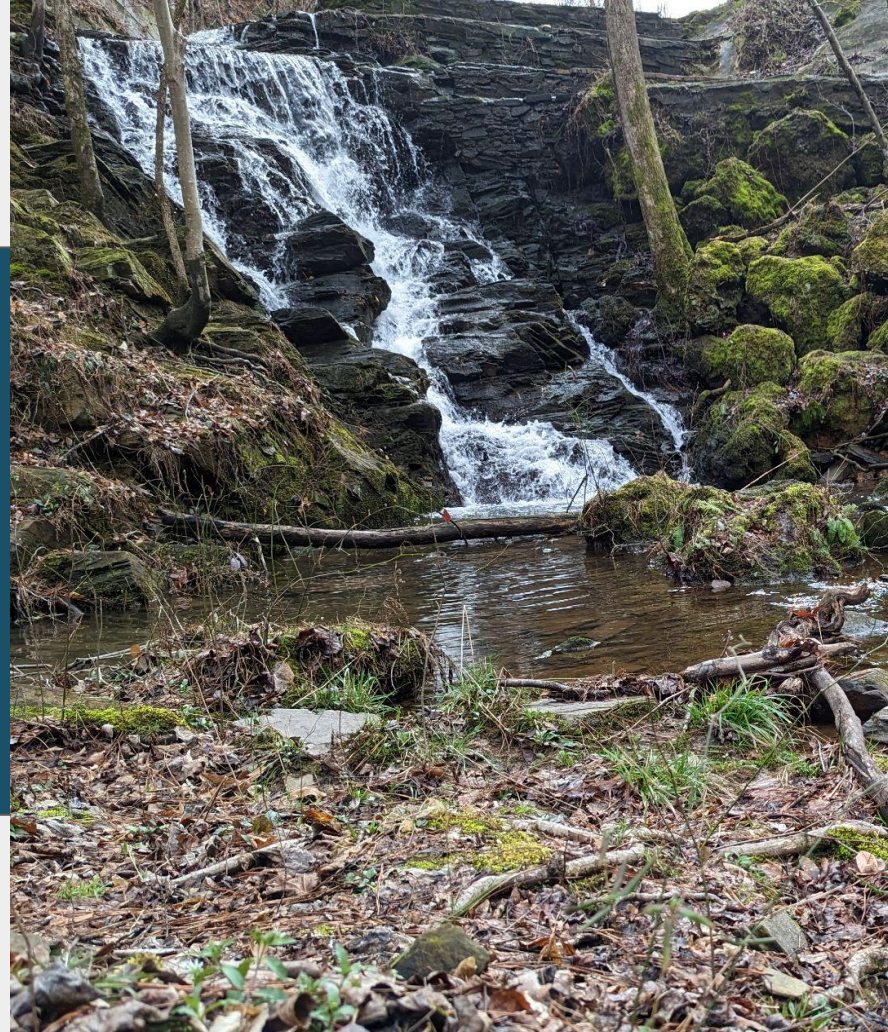
Focusing on the State Revolving Fund as the primary funding mechanism:

- Enabling Legislation & Appropriations
- State Revolving Fund (SRF) Process
- Issues with SRF Policy & Implementation in Alabama
- Mapping the SRF in Alabama
- Opportunities to Engage
- Advocating for Funding in Your Community



LEGISLATION & APPROPRIATIONS

How we fund drinking water,
wastewater and
stormwater in the US:



Clean Water Act = Clean Water State Revolving Fund

- Established by CWA amendments of 1987
- EPA distributes federal appropriations to all 50 states plus Puerto Rico, US territories, & tribal lands through the CWSRF
- Distributed in Alabama by **Alabama Department of Environmental Management (ADEM)**
- SRFs operate like banks, providing low interest loans for water infrastructure projects and making new loans as money is repaid.



Safe Drinking Water Act = Drinking Water State Revolving Fund

Established by SDWA amendments in 1996

EPA distributes federal appropriations to all 50 states plus Puerto Rico, US territories, & tribal lands through the DWSRF

Distributed in Alabama by **Alabama Department of Environmental Management (ADEM)**

SRFs are funded federally, but policies and procedures that determine who is prioritized for funding and who receives additional subsidy are left to be decided at the state level.



Current Historic Funding Availability: ARPA

American Rescue Plan Act (ARPA) = **\$225 million (2021) + \$400 million (2023)**

- Mostly distributed through ADEM's SRFs to existing drinking water and wastewater project needs
- **Obligation deadline is 12/31/2024, funds must be spent by 12/31/2026**
 - Obligation = documentation committing funds to a specific activity
 - If the state, county, or town has not obligated funds by 12/31/2024, it must be returned.
- ARPA = grant funds, no repayment

SRF projects using ARPA funds have required grant documentation!

Source:

<https://www.nlc.org/article/2023/10/27/arpa-obligation-deadline-is-around-the-corner/>

Example ARPA grant doc from Cleveland AL, available on ADEM e-file

<https://lf.adem.alabama.gov/WebLink/DocView.aspx?id=105176088&dbid=0>

Current Historic Funding Availability

BIL / IIJA

Bipartisan Infrastructure Law (aka Infrastructure Investment & Jobs Act) included over \$50 billion for water infrastructure

Alabama gets about 1% = **\$297 million** (FY2022 & 2023) + **\$526 million** (anticipated for FY2024, 2025, & 2026)

- Fiscal year = accounting period during which funds are available for states to use. Federal fiscal year 2024 **started on October 1, 2023 & ends on September 30th, 2024**

BIL funds will bolster AL's SRF until it's spending deadline in 2028.

Sources

<https://www.whitehouse.gov/wp-content/uploads/2023/10/Alabama-Fact-Sheet.pdf>

<https://fiscaldata.treasury.gov/americas-finance-guide/>

BIL / IIJA impact in Alabama

First-ever dedication of funds for lead and PFAS in water

49% of all BIL funds must be awarded as additional subsidy to projects, and 100% of funds for lead in drinking water and emerging contaminants

Alabama legislature allocated for AL's 10% match requirement during first two years of BIL

ADEM's historic funding announcement in early 2022 = over **\$3 billion** in SRF applications, 400+ DWSRF & 250+ CWSRF

Historic funding availability isn't enough to meet current or future water infrastructure needs felt across Alabama

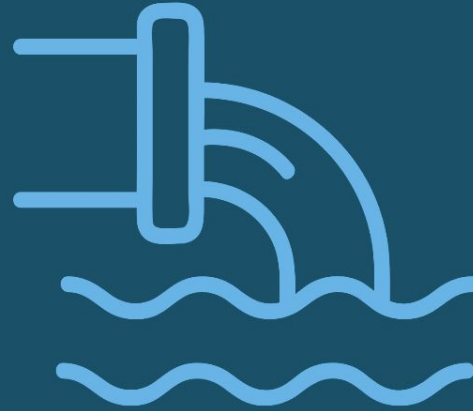
Source

<https://adem.alabama.gov/programs/water/srfreports/ARPA-1updatepartA.pdf>

Alabama's water infrastructure needs = (AT LEAST!)



\$12.1 billion in drinking water*



\$3.09 billion in clean water*

*Results from 7th DWINSA & 2012 CWNSA

ALABAMA STATE REVOLVING FUND PROCESS

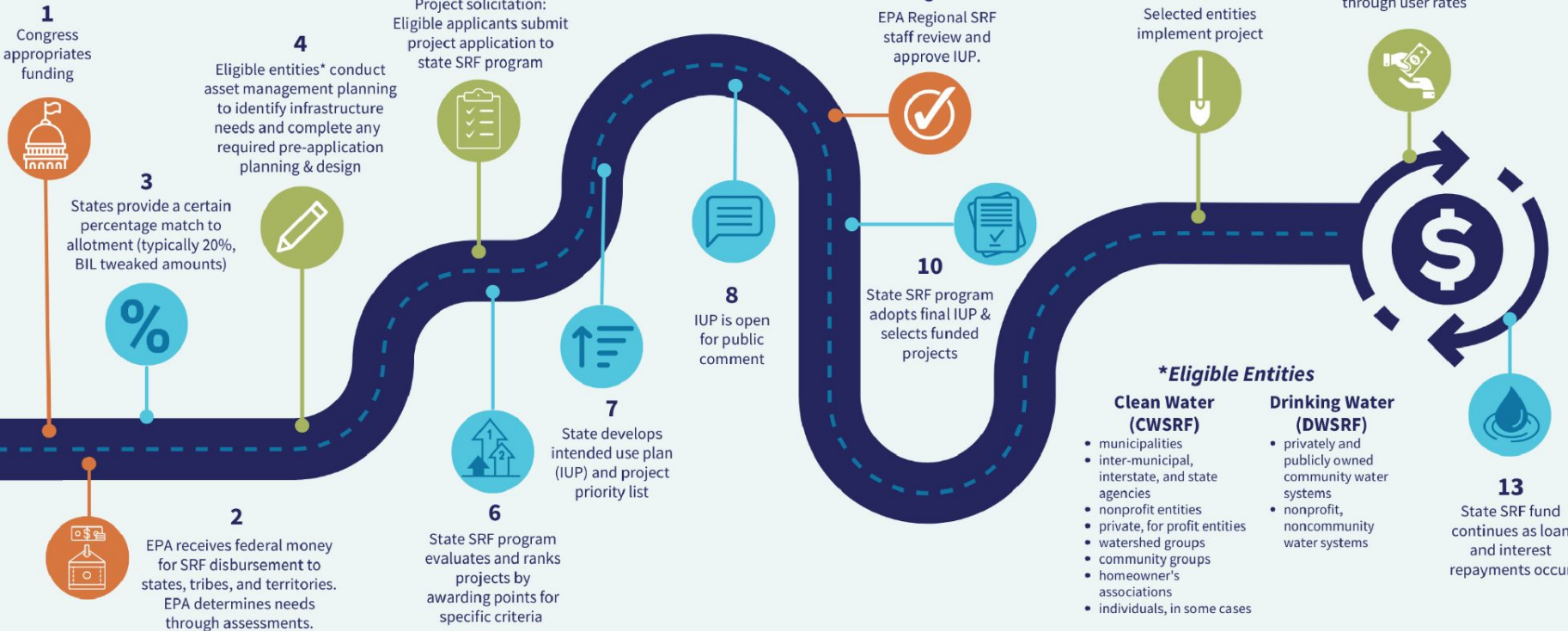
How ADEM distributes funds to
water projects:



The screenshot shows the ADEM website interface. At the top left is the ADEM logo. To its right is the text "Alabama Department of Environmental Management". Below this is a navigation breadcrumb: "Home > ADEM Programs > Water > State Revolving Fund (SRF)". A left-hand navigation menu lists various categories: "ADEM Forms", "ADEM Programs", "Air", "Coastal", "Waste / Remediation / Underground Storage Tanks", "Water", "AFO/CAFO", "Clean Vessel", "Construction Stormwater", "CWA §401 Certification", "Drinking Water", "Forestry BMP Program", "Guidance", "Industrial", "Mining", and "Municipal". The main content area features a photograph of a waterfall with the caption "Lower High Falls, Talladega Forest - Bill Wilson". Below the photo is the heading "State Revolving Fund (SRF)" in green. Underneath are several links: "Status Report – ADEM Funding of Water and Sewer Upgrades as of 12/31", "SRF Brochure", "2021 SRF Workshop Presentation", "2021 Program Updates and Project Solicitation", "Alabama Water and Wastewater Rates Dashboard", "Guidance for SRF Applicants", and "TVA Energy Efficiency Grant/Loan Program". At the bottom of the page, there is a paragraph starting with "The Clean Water State Revolving Fund (CWSRF) and the Drinking Water..."



STATE REVOLVING FUND: THE PROCESS



CWSRF & DWSRF Administration

Regulated under **Division 11** of ADEM's Administrative Code

SRF Program updates & past IUPs are hosted on ADEM's website:

- adem.alabama.gov/programs/water/srf.cnt

Intended Use Plans (IUPs) are released periodically & made available temporarily on ADEM's public notice webpage

- Include what projects ADEM intends to fund each year
- Typically have 30 day public comment periods

AlabamaWaterProject.com website created to give project updates



CW ARPA/SRF Details as of 9/15/2023

Project #	Applicant Name	County	Date Pre-App or SUPP Received	Project Description	Applied for Project Amount	Project Approval Date	Project Approved (Yes or No)	Funded Portion	Principal Forgiveness and/or Grant	Unfunded/Match Portion
CS010254-15	Prattville, City of	Autauga	1/31/2022	Autauga Creek CWF Improvements	\$24,000,000					
CS010254-18	Prattville, City of	Autauga	1/31/2022	Fay Branch Interceptor Sewer Improvements	\$9,200,000					
CS010254-17	Prattville, City of	Autauga	1/31/2022	Hilltop Sewer Interceptor Replacement	\$1,499,800	6/21/2023	Yes	\$300,000	\$300,000	\$1,199,800
CS010254-16	Prattville, City of	Autauga	7/13/2022	Thomas Avenue and Selma Highway Stormwater and Sanitary Sewer Improvements (Stormwater) Thomas Avenue and Selma Highway Stormwater and Sanitary Sewer	\$860,105	7/12/2023	Yes	\$100,000	\$100,000	\$760,105
CS011028-06	Baldwin County Commission	Baldwin	2/8/2022	County Rd 28 Stormwater Project	\$750,000					
CS011028-05	Baldwin County Commission	Baldwin	2/8/2022	Faircloth Rd Drainage Improvement Project	\$1,500,000					
CS011028-04	Baldwin County Commission	Baldwin	2/8/2022	Magnolia River Watershed & Regional Detention - Kelly Pit	\$8,000,000					
CS011028-03	Baldwin County Commission	Baldwin	2/8/2022	Red Gully Streambank Stabilization	\$2,500,000					
CS011028-02	Baldwin County Commission	Baldwin	2/8/2022	Surfside Shores Drainage Improvement Project	\$1,500,000					

Drinking Water Applicants



From the Alabama Department of Environmental Management

DWSRF vs CWSRF allowable project uses in AL:

Drinking Water State Revolving Fund

1. Treatment (new or upgrades)
2. Transmission & distribution
3. Source water (rehabilitation or new)
4. Storage (reservoirs)
5. Green stormwater projects
6. Water or energy efficiency
7. Consolidation of systems
8. Creation of new systems
9. Refinancing or purchasing debts
10. State bond repayment

Clean Water State Revolving Fund

1. Planning, construction, and design of publicly-owned treatment, collection, & conveyance facilities
2. Nonpoint source pollution control programs
3. National estuary program projects
4. Decentralized wastewater treatment
5. Water conservation, efficiency, & reuse
6. Water quality projects at solid waste landfills
7. Stormwater management
8. Energy efficiency
9. Reuse and recycling of wastewater or stormwater
10. Refinancing and purchasing debts obligations
11. State bond repayment & transfers between funds

Applying for Water Funding in Alabama

Water funding process begins by submitting a project pre-application

- **DWSRF = Form 370** and **CWSRF = Form 340**

Pre-application requirements:

- 3 years of audited financial statements
- Priority Point Rank with supporting documentation
- Preliminary engineering report with proposed improvements, project maps, cost breakdown, and projected schedule

... Starting to sound hard for small communities, right?

Additional Subsidization as Principal Forgiveness

Qualifying applicants in Alabama are offered SRF loans with principal forgiveness.

- Principal forgiveness assists applicants to reduce the size of an SRF loan by forgiving a portion of the loan.

States typically choose to offer PF instead of grants due to lower administrative costs/hoops. Less than 10% of additional subsidy is delivered as grants nationwide.

BIL/IIJA funds have increased requirements for PF. **ARA sees lots of issues with Alabama's CWSRF criteria.**

Source
[River Network's SRF Advocacy Toolkit](#)

How principal forgiveness is awarded to projects:

DWSRF = Disadvantaged Criteria	CWSRF = Affordability Criteria
+1 point if the project serves under 10,000	Poverty rate of county served minus statewide poverty rate
+1 point if the borrowers revenue is at least 10% more than its debt	Unemployment rate of county served minus statewide unemployment rate
+1 point if the project area is in a Justice40 Mapping Tool disadvantaged area	+1 for everyone if the statewide population trend increased, +2 for everyone if decreased
Actual Number for the ratio of the annual average water bill divided by the median household income	+1 if the project seeks to serve a Justice40 Mapping Tool disadvantaged area

Set Asides & Technical Assistance

States can choose to “set aside” a portion of funding available in each year for “nonproject uses” that assist in the delivery of SRFs to communities

Crucial support for many. ADEM is newly taking 2% CWSRF set aside to support rural & small systems.

Technical Assistance = targeted support from experts

- Financial support (audits, debt to income ratio)
- Legal support (old debts, lawsuits)
- Engineering support (engineering designs, solutions discovery)
- Communications (community outreach, plan for engagement)
- Grant writing (writing applications, navigating assistance agreements)
- Environmental assessments

Technical Assistance Providers in Alabama

Groups that we've heard are working to provide technical support for communities seeking to improve water infrastructure in Alabama:

- EPA's [Water Technical Assistance form](#) (links you with others)
- Region 4 Environmental Finance Center = [UNC Chapel Hill](#)
- [National Rural Water Association](#) ([Alabama Rural Water Association's](#) national partner)
- Rural Community Assistance Partnership (RCAP) network of nonprofits = [Communities Unlimited](#)

Intended Use Plans (IUPs)

To use each year of funds, ADEM must submit an IUP and project priority list to EPA Regional SRF staff.

ADEM currently issues **SEVEN** IUPs for each fiscal year, detailing how it intends to prioritize projects for its available funds.

- Five of seven FY2023 IUPs were released in February 2024 & more are expected in the coming months.
- ADEM intends to award **113** projects and a total of **\$196,734,872** with the FY2023 funds.

Once a project appears on an IUP, this signals to the community to submit a full SRF application and prepare to proceed with construction.

Full Application Phase - After the IUPs

For the communities, applying for the SRF = hurry up and wait

After appearing on an IUP, the community must submit a full project application by a deadline and reach a project assistance agreement with ADEM.

The full SRF project application requirements are found in **Division 11**, but include:

- Full project design & specifications including cost breakdown & cash flow
- Plan for repayment of the SRF loan
- Resolution by public entities involved in the project
- Feasible construction schedule aligning with availability of funds
- All other ADEM permits (NDPES, construction, easements, etc)

AL issues able to be addressed by SRFs

Drinking Water State Revolving Fund

As DWSRF projects:

- Failing or aging drinking water treatment facilities
- Dry wells or not enough drinking water sources
- Lead or copper pipe replacement and/or assessments
- Contaminants in drinking water (PFAS, heavy metals)
- Private wells going dry or contaminated
- Shrinking communities with too expensive/large systems
- Growing communities never served by utilities before

Through Technical Assistance & Set Asides:

- Utility has poor credit or outstanding debts
- Project design & engineering can be expensive
- Utility cannot afford required financial assessments
- Developing plans to get back to compliance with DWSRF
- Lacking technical, financial, or managerial capacity
- Agency capacity to review & service DWSRF projects quickly
- Statewide planning for emerging contaminants mitigation

Clean Water State Revolving Fund

As CWSRF projects:

- Failing or aging wastewater treatment works
- Lack of centralized wastewater services in an area
- Failing decentralized wastewater services
- Stormwater inundating waste treatment facility
- Inefficient water or energy use by facilities
- Growing communities needing a new system
- Failure of treated wastewater to meet water quality standards
- Landfills with contaminated water leaving site

Through Technical Assistance & Set Asides:

- Utility has poor credit or outstanding debts
- Project design & engineering can be expensive
- Utility cannot afford required financial assessments
- Developing plans to get back to compliance with CWSRF
- Lacking technical, financial, or managerial capacity
- Staff capacity to review & service CWSRF projects quickly
- State technology and laboratory improvements

Never allowed by SRFs: future growth projects, regular lab testing, operation fees, and expected maintenance expenses.

AL issues *currently* being addressed by SRFs

Drinking Water State Revolving Fund

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Clean Water State Revolving Fund

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- Failing or aging wastewater treatment works
- ~~Lack of centralized wastewater services in an area~~
- ~~Failing decentralized wastewater services~~
- ~~Stormwater inundating waste treatment facility~~
- ~~Inefficient water or energy use by facilities~~
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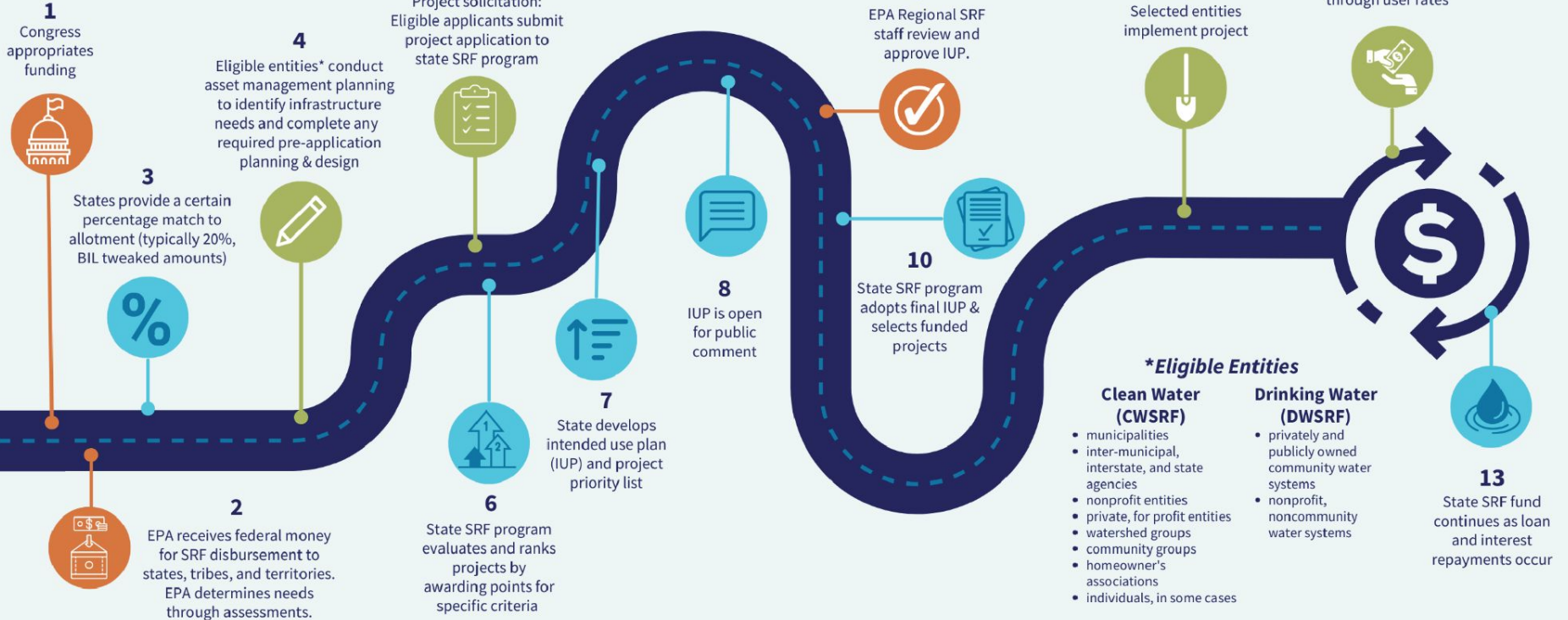
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STATE REVOLVING FUND: THE PROCESS



Let's review

Pause for Questions..

POLICY & IMPLEMENTATION ISSUES

This is what ARA is asking
ADEM to do to improve access
& efficiency of the SRF



Reforms to improve AL's State Revolving Fund

1. Clarify SRF eligible recipients & extend loans to nonprofits & decentralized wastewater systems
2. Provide more SRF access to disadvantaged communities/meeting affordability criteria by adjusting the priority rank system, offering alternative financing options, and create mechanisms for pre-application support.
3. Fully utilize SRF set-aside activities for state program management, small systems training, and technical assistance
4. Take advantage of funding availability for long term planning

This is what ARA's SRF work centers on

1. Clarify who's eligible for SRF & allow more entities to service loans

Currently only “public bodies” or governmental entities are awarded project assistance.

Communities on septic either have no entity to service loans or cannot be prioritized under current ranking practices

SRF regulations & practices should be expanded to allow nonprofit entities in underserved areas & decentralized projects to be funded.

- If already allowed, advertise to nonprofits & decentralized projects on how to navigate application & be prioritized
- If not allowed under existing regulations, initiate rulemaking to allow.

How other states fund septic systems

~15 states support decentralized systems with their CWSRF

Crucial to develop a plan for Operations & Maintenance of septic systems afterwards

How Do CWSRF Decentralized Systems Fund?

Lending Structure

Direct homeowner loan

Linked deposit loan

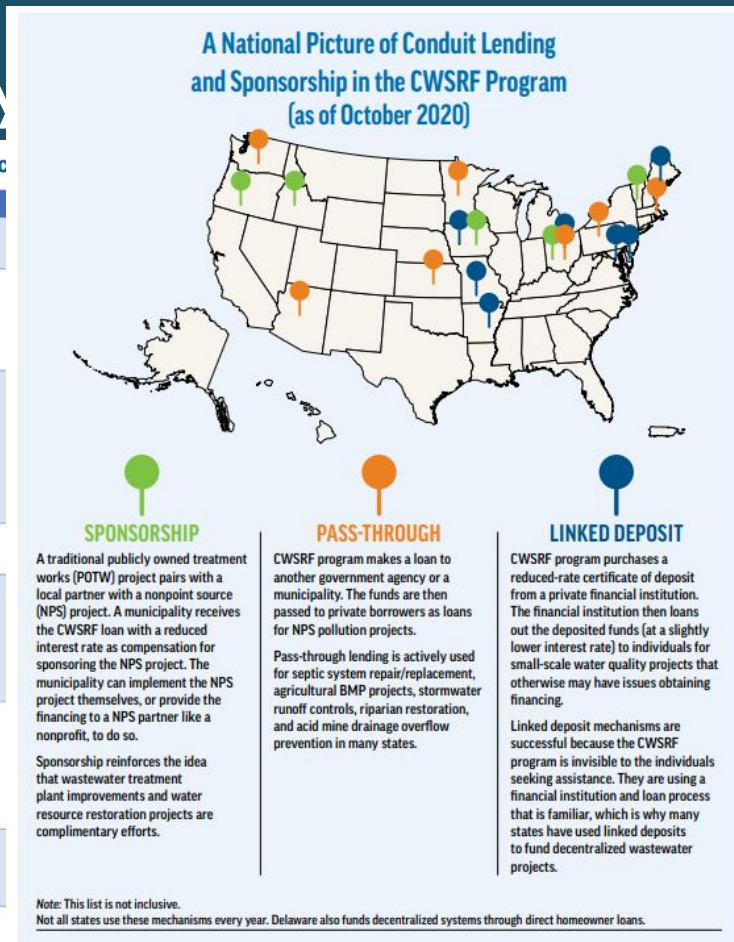
Pass-through loan

CDFI pass-through

Sub-state revolving fund

Sponsorship

Co-funding



Source

<https://www.epa.gov/system/files/documents/2022-02/financing-dwts.pdf>

2. Offer financial flexibility for disadvantaged communities

Projects offered additional subsidization are not offered alternative financing options or reduced financial requirements.

ADEM should consider offering more flexible options to help communities receiving principal forgiveness to access the SRF:

- Pre-application technical assistance
- Relaxed financial terms of assistance
- Remove the requirement to adjust rates to receive SRFs

These activities are federally allowed & encouraged. Alabama should consider adjusting their SRF practices to further support disadvantaged communities accessing the SRF.

3. Embrace the use of set-asides from the SRF

Set-asides activities help applicants prepare for funding with technical and financial assistance and support agency capacity

Alabama's utilization of SRFs for set-aside activities is much lower than the national average.

- SFY 2022 DWSRF set aside 7.1%, national average is 22%, max allowed is 31%

Existing flexibility in regulations, agency practices need to change

Robust set-aside activities that support communities and technical assistance provides applicants with predictability on the outcome of the SRF process.

4. Use funding availability for long term planning

Re-evaluate SRF practices & regulations that hinder the SRF process

Build new community partnerships and technical assistance relationships

Create long term statewide plans for infrastructure improvements

Create forum for wastewater management communication and collaboration
(with CWSRF program management set-aside)

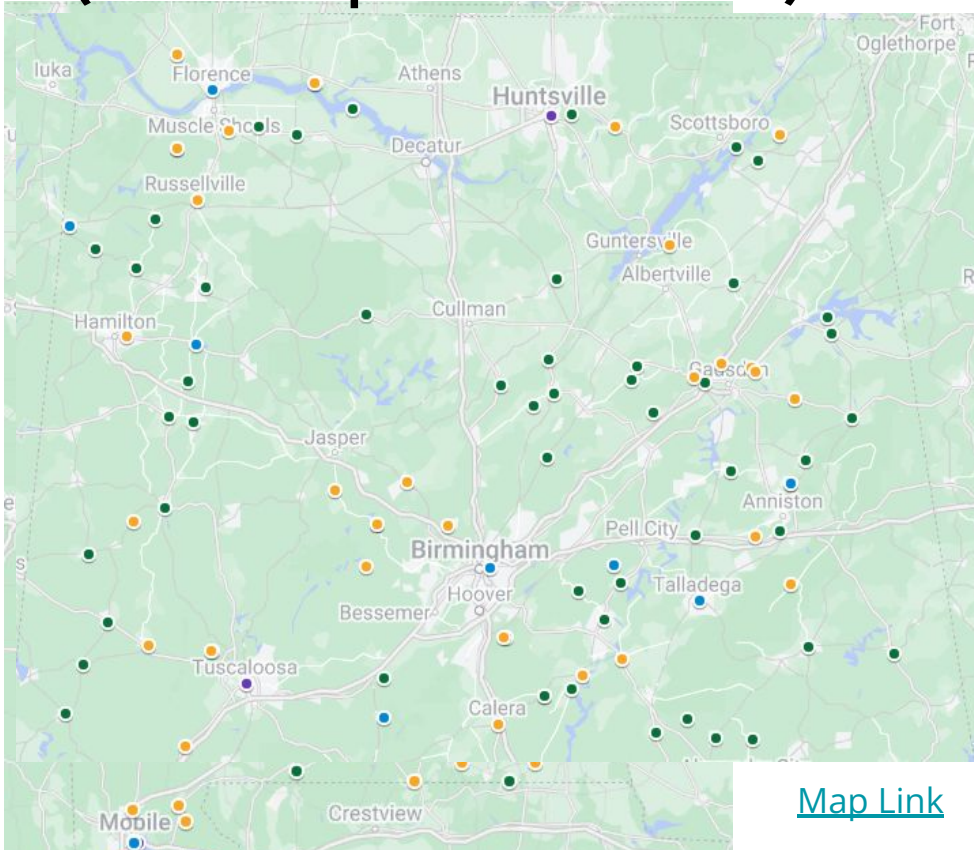
Study & develop state action plans for PFAS in drinking water

MAPPING THE SRF

ARA & UA Engineering project to
map where funds are making it to
communities in Alabama



Alabama Drinking Water SRF Applications (as of September 2023)



[Map Link](#)

DWSRF Project Funding Configurations

100% Principal Forgiveness and/or Grant

100% Principal Forgiveness and/or Grant
Loan

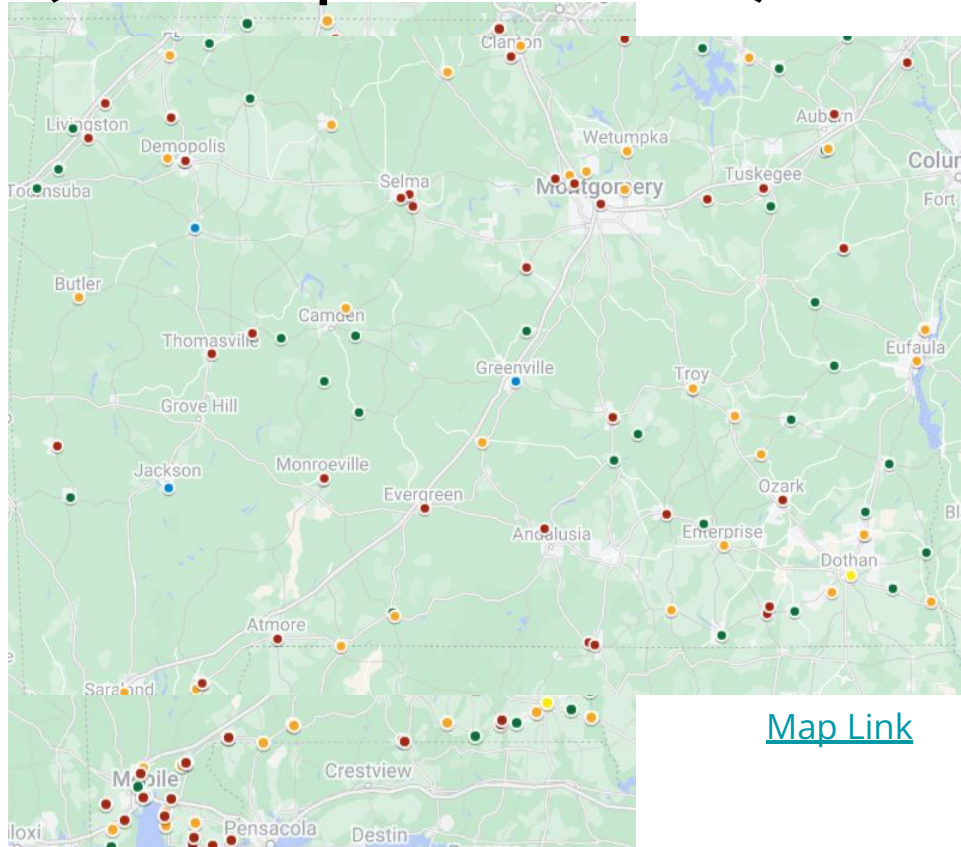
100% Principal Forgiveness and/or Grant
Unfunded/Match Portion

100% Principal Forgiveness and/or Grant
Unfunded/Match Portion
Loan (*not utilized for current projects*)

Loan

Not Funded Yet (*not yet included on map*)

Alabama Clean Water SRF Applications (as of September 2023)



[Map Link](#)

CWSRF Project Funding Configurations

100% Principal Forgiveness and/or Grant

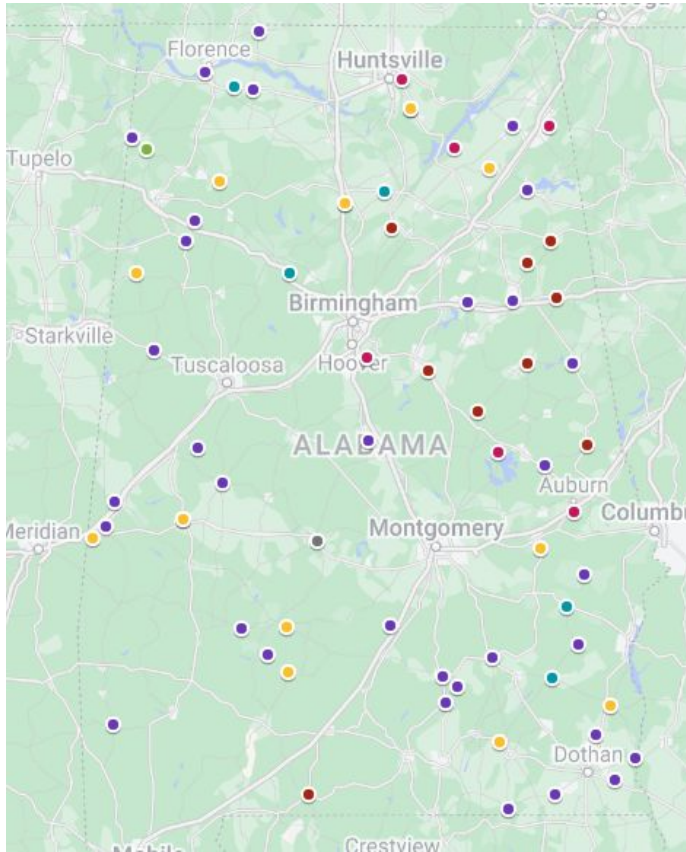
100% Principal Forgiveness and/or Grant
Loan

100% Principal Forgiveness and/or Grant
Unfunded/Match Portion

100% Principal Forgiveness and/or Grant
Unfunded/Match Portion
Loan

Not Funded Yet

Alabama CWSRF Applications by Project Type: Funded with 100% Principal Forgiveness and/or Grant (as of September 2023)



CWSRF Project Types

General Wastewater Improvements

Sanitary Sewer (Collection)

Wastewater Collection & Treatment Plant

Wastewater Treatment Plant

Stormwater

State Park

Other

[Map Link](#)

OPPORTUNITIES TO ENGAGE

Put funding to work in your
community



SRF IMPLEMENTATION: KEY ROLES

CONGRESS

- + Appropriates funding each year to Drinking Water and Clean Water SRFs.
- + Can change SRF eligibilities and authorize new programs.

STATE LEGISLATURE

- + May define "Disadvantaged Communities" in state statute.
- + May pass laws related to SRF planning processes.

STATE AGENCIES *(may include environmental, health, and financing agencies)*

- + Develops criteria to rank projects, including affordability criteria for CWSRF and defining Disadvantaged Communities for DWSRF.
- + Submits Intended Use Plan to EPA.
- + Develops project priority list (PPL).
- + Receives & reviews project applications from communities.
- + Disburses funds after selecting projects.
- + Receives loan repayment from communities/water and wastewater systems.

EPA

- + Reviews & approves states' Intended Use Plans (IUPs).
- + Disburses SRF money to states, territories, and tribes according to allocation formulas.
- + Regional offices review states' financial performance.

FEDERAL

STATE

LOCAL GOVERNMENTS/WATER AND WASTEWATER SYSTEMS

- + Submits project applications to the state.
- + Carries out water infrastructure projects.
- + Creates procurement and hiring processes for project completion.
- + Repays loans via ratepayer fees.

LOCAL

ADVOCATES

POINTS OF ENGAGEMENT

- + **Federal:** Communicate with EPA regional and headquarter staff about your state's SRF process & improvements you want to see.
- + **State:** Contact state SRF managers to learn about public participation opportunities before they develop IUPs. Submit public comments & maintain ongoing working relationship with SRF staff.
- + **Local:** Learn about your utility's asset management plan, and convey your thoughts on project priorities. Urge them to consider funding opportunities. Educate residents about water quality and affordability issues.

Ways to get involved with water infrastructure in Alabama:

1. Learn your community's infrastructure and funding status
2. Engage with your local water authorities & help them submit a good SRF pre-application!
3. Connect with academia & water educators
4. File public comments on the Intended Use Plans
5. Join ARA's water infrastructure advocacy coalition!

Learn your community's infrastructure & funding status

Check if your community has wastewater or drinking water compliance issues:

- Quantitative data sources: EPA ECHO, Drinking water consumer confidence surveys
- Qualitative data: Have you heard about parts of town with repeated water line issues or sewage overflows? Is there a section of the community that floods with every rain?

Check if your community has applied for SRF funding:

- Use our maps or look up your town on [Alabamawaterprojects.com](https://alabamawaterprojects.com)
- Is there an existing SRF application? Would that application include your section of town/scope of issues if awarded funding?

If your community still needs to apply, get with your local government to let them know about the historic funding opportunities and encourage them to apply for funding!

Engage with your local water authorities!

Attend your local water authority meetings and ask their plans for addressing water infrastructure issues you are aware of.

Encourage your community to apply for the SRF and offer to connect them with technical assistance providers.

** If you have no utility, connect with your neighbors to learn the status of their water wells or septic systems. Consider joining forces with technical assistance providers or even incorporate to be able to access the SRF.

Stay engaged with the project progress in your community and request public meetings to learn more about details and intended project areas.

Tips for submitting a good SRF pre-application

- Aim for a high priority point rank
 - Capture as many points as possible and ask engineers to incorporate components that capture points into project design
- Have a feasible proposed schedule
 - Funding has to be used within a few years once received,
 - The proposed construction schedule on your pre-application should begin within months of funding and aim to complete well in advance of funding deadlines.
- Build a working relationship with SRF staff
 - Talk with SRF staff about your project needs and if you are eligible for technical assistance or additional subsidization.
 - Having a working relationship with ADEM makes it easier to check in on the progress of your application.

Connect with academia & water educators

Connect with the universities in your area & ask if there are any students studying water or civil engineering that can help you learn more about your community's water infrastructure resources.

If you ever need access to a research article, reach out to your local university to ask!

Engage with academics at conferences - CARWW goes to the Alabama Water Resources Conference, ARA hosts Alabama Water Rally

File public comments on the Intended Use Plans!

- Glad to see your community being prioritized for funding on an IUP? Let ADEM know!
- Wondering about the status of your community's pre-application? Ask in your comments!
- Got a suggestion for a process improvement that would allow your community to access the SRF? Let ADEM & EPA know in your comments!

Share your comments with EPA Region 4 SRF staff and ask for their help advocating for your community or for SRF process improvements.

**Join ARA's water infrastructure
advocacy efforts!**

Get involved with ARA & our coalition

ARA facilitates the statewide Alabama Water Infrastructure Advocates Coalition!

- A forum for sharing water funding information, collaboration on IUP comments, and a shared space to ask for help/celebrate wins in Alabama's water infrastructure landscape.

You don't need to be directly working on policy or water infrastructure to participate, as long as you care about drinking water and wastewater access in Alabama!

Interested in getting involved with our coalition? Come talk to V!



Brain Break

(10 minutes)